



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

APR 11 2006

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

Report Number: A-07-06-00199

R. Paul Warburton, CPA, Director of Finance
Regence Blue Cross Blue Shield of Utah
2890 East Cottonwood Parkway
Salt Lake City, Utah 84121-7035

Dear Mr. Warburton:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of the Inspector General (OIG) report titled "Review of Pension Costs Claimed for Medicare Reimbursement by Blue Cross Blue Shield of Utah for Fiscal Years 1987 Through 1997." A copy of this report will be forwarded to the HHS action official noted on the next page for his review and any action deemed necessary.

The HHS action official will make final determination regarding actions taken on all matters in the report. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), OIG reports are made available to the public to the extent information contained therein is not subject to exemptions of the Act that the Department chooses to exercise (see 45 CFR part 5).

If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, or Jenenne Tambke, Audit Manager, at (573) 893-8338, extension 21, or through email at Jenenne.Tambke@oig.hhs.gov. Please refer to report number A-07-06-00199 in all correspondence.

Sincerely,

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:

Mr. Alex Trujillo
Regional Administrator, Region VIII
Centers for Medicare & Medicaid Services
Colorado State Bank Building
1600 Broadway, Suite 700
Denver, Colorado 80202

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF PENSION COSTS
CLAIMED FOR MEDICARE
REIMBURSEMENT BY BLUE CROSS
BLUE SHIELD OF UTAH FOR FISCAL
YEARS 1987 THROUGH 1997**



**Daniel R. Levinson
Inspector General**

**APRIL 2006
A-07-06-00199**

Office of Inspector General

<http://oig.hhs.gov>

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

Blue Cross Blue Shield of Utah (Utah) administered Medicare Parts A and B operations under cost reimbursement contracts with the Centers for Medicare & Medicaid Services (CMS) until Utah merged with The Regence Group (TRG) on January 1, 1998. Effective January 1, 1998, TRG merged Utah's non-contributory retirement program into the TRG pension plan.

Medicare reimburses a portion of the annual contributions that contractors make to their pension plans. In claiming costs, contractors must follow cost reimbursement principles contained in the Federal Acquisition Regulations, Cost Accounting Standards (CAS), and Medicare contracts.

The Medicare contract requires contractors to allocate or separately calculate pension costs. The separate calculation method must be used if there is a material difference between the two methods.

OBJECTIVE

Our objective was to determine the allowability of pension costs claimed for Medicare reimbursement for fiscal years (FY) 1987 through 1997.

SUMMARY OF FINDING

Utah did not claim all pension costs that were allowable for Medicare reimbursement for FYs 1987 through 1997 because it did not claim pension costs in accordance with its Medicare contracts. Therefore, Utah underclaimed \$756,509 of allowable pension costs.

RECOMMENDATION

We recommend that Utah revise its Final Administrative Cost Proposals (FACP) to claim allowable CAS pension costs of \$756,509 for FYs 1987 through 1997.

AUDITEE'S COMMENTS

Utah concurred with our recommendation. Utah's comments are included in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We commend Utah for its action to address the recommendation.

INTRODUCTION

BACKGROUND

Utah

Blue Cross Blue Shield of Utah (Utah) administered Medicare Parts A and B operations under cost reimbursement contracts with the Centers for Medicare & Medicaid Services (CMS) until Utah merged with The Regence Group (TRG) on January 1, 1998. Effective January 1, 1998, TRG merged Utah's non-contributory retirement program into the TRG pension plan.

Medicare

Medicare reimburses a portion of the annual contributions that contractors make to their pension plans. To be allowable for Medicare reimbursement, pension costs must be (1) measured, assigned, and allocated in accordance with Cost Accounting Standards (CAS) 412 and 413; and (2) funded as specified by part 31 of the Federal Acquisition Regulations (FAR).

Beginning in fiscal year (FY) 1988, CMS incorporated specific segmentation language into Medicare contracts. The contracts require contractors to allocate or separately calculate pension costs. Under the allocation method, the contractor determines total plan CAS costs and allocates a share to Medicare. Under the separate calculation method, the contractor separately identifies the pension cost components for the Medicare segment. The separate calculation method must be used if it is materially different than the allocation method.

Regulations

The Medicare contract addresses the determination and allocation of pension costs. The contract states that: "The calculation of and accounting for pension costs charged to this agreement/contract are governed by the Federal Acquisition Regulations and Cost Accounting Standards 412 and 413."

The FAR addresses allowability of pension costs and requires funding to substantiate pension costs assigned to contract periods.

The CAS 412 regulates the determination and measurement of pension cost components. It also regulates the assignment of pension costs to appropriate accounting periods.

The CAS 413 regulates the valuation of pension assets, allocation of pension costs to segments of an organization, adjustment of pension costs for actuarial gains and losses, and assignment of gains and losses to cost accounting periods.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine the allowability of pension costs claimed by Utah for Medicare reimbursement for FYs 1987 through 1997.

Scope

We reviewed pension costs claimed on Utah's Final Administrative Cost Proposals (FACP) for Medicare reimbursement for FYs 1987 through 1997. Achieving the objective did not require that we review Utah's overall internal control structure. However, we did review the controls relating to the pension costs claimed for Medicare reimbursement to ensure that pension costs were allowable in accordance with CAS and funded in accordance with the FAR.

We performed fieldwork at Utah's office in Salt Lake City, UT, during May 2005.

Methodology

We identified Utah's CAS pension costs for the total company and for the Medicare segment. We also determined the extent to which Utah funded CAS pension costs with contributions to the pension trust fund and accumulated prepayment credits. Using this information, we calculated CAS pension costs that were allowable for Medicare reimbursement for FYs 1987 through 1997. The calculations were based on separately computed CAS pension costs for the Medicare segment and total company CAS pension costs. The CMS Office of the Actuary calculated the allocable CAS pension costs based on Utah's historical practices and the results of our segmentation review (A-07-05-00190). Appendix A contains details on the pension costs and contributions.

In performing our review, we used information provided by Utah's actuarial consulting firm. The information included assets, liabilities, normal costs, contributions, benefit payments, investment earnings, and administrative expenses. We examined Utah's accounting records, pension plan documents, annual actuarial valuation reports, and Department of Labor/Internal Revenue Service Form 5500s.

We performed our review in accordance with generally accepted government auditing standards.

FINDING AND RECOMMENDATION

Utah did not claim all pension costs that were allowable for Medicare reimbursement for FYs 1987 through 1997. Therefore, Utah underclaimed \$756,509 of allowable pension costs.

The Medicare contracts required Utah to allocate or separately calculate pension costs; however, Utah used a financial reporting expense that did not comply with the Medicare contract. We calculated the allowable pension costs based on separately computed CAS pension costs for the Medicare segment and total company CAS pension costs. We compared allowable CAS pension costs to the pension costs claimed on Utah's FACP as shown in the following table.

<u>Table: Cost Claimed Variance</u>			
Fiscal Year	Per Utah	Per OIG	Difference
1987	\$78,831	\$36,447	\$42,384
1988	55,820	27,266	28,554
1989	12,629	5,074	7,555
1990	31,494	0	31,494
1991	38,546	62,691	(24,145)
1992	86,438	164,235	(77,797)
1993	172,283	179,516	(7,233)
1994	145,099	211,200	(66,101)
1995	58,189	229,826	(171,637)
1996	0	248,572	(248,572)
1997	0	271,011	(271,011)
	\$679,329	\$1,435,838	(\$756,509)

Utah claimed pension costs of \$679,329 for Medicare reimbursement; however, allowable CAS pension costs for the period were \$1,435,816. As a result, Utah underclaimed \$756,509 of allowable CAS pension costs because it did not calculate the pension costs correctly.

RECOMMENDATION

We recommend that Utah revise its FACPs to claim allowable CAS pension costs of \$756,509 for FYs 1987 through 1997.

AUDITEE'S COMMENTS

Utah concurred with our recommendation. Utah's comments are included in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We commend Utah for its action to address the recommendation.

APPENDIXES

BLUE CROSS BLUE SHIELD OF UTAH
STATEMENT OF ALLOWABLE PENSION COSTS
FOR FISCAL YEARS 1987 THROUGH 1997

Date	Description		Total Company	Other Segment	Medicare Segment
1986	Contributions	<u>1/</u>	\$204,728	\$204,728	\$0
9.00%	Discount For Interest	<u>2/</u>	(862)	(862)	0
	Present Value Contributions	<u>3/</u>	203,866	203,866	0
	Prepayment Credit	<u>4/</u>	0	0	0
	Present Value Of Funding	<u>5/</u>	203,866	203,866	0
	CAS Funding Target	<u>6/</u>	0	0	0
	Percentage Funded	<u>7/</u>		0.00%	0.00%
	Funded Pension Cost	<u>8/</u>		0	0
	Allowable Interest	<u>9/</u>		0	0
	Allocable Pension Cost	<u>10/</u>		0	0
	Fiscal Year Pension Cost	<u>11/</u>		N/A	N/A
	Medicare LOB* Percentage	<u>12/</u>		N/A	N/A
	Allowable Pension Cost	<u>13/</u>	N/A	N/A	N/A

1987	Contributions		\$550,061	\$548,266	\$1,795
8.50%	Discount For Interest		(27,644)	(27,554)	(90)
	Present Value Contributions		522,417	520,712	1,705
	Prepayment Credit		222,214	221,057	1,157
	Present Value Of Funding		744,631	741,769	2,862
	CAS Funding Target		549,783	546,921	2,862
	Percentage Funded			100.00%	100.00%
	Funded Pension Cost			546,921	2,862
	Allowable Interest			17,243	90
	Allocable Pension Cost			564,164	2,952
	Fiscal Year Pension Cost			423,123	2,214
	Medicare LOB Percentage			8.13%	92.46%
	Allowable Pension Cost		<u>\$36,447</u>	<u>\$34,400</u>	<u>\$2,047</u>

BLUE CROSS BLUE SHIELD OF UTAH
STATEMENT OF ALLOWABLE PENSION COSTS
FOR FISCAL YEARS 1987 THROUGH 1997

Date	Description	Total Company	Other Segment	Medicare Segment
1988	Contributions	\$0	\$0	\$0
9.00%	Discount For Interest	0	0	0
	Present Value Contributions	0	0	0
	Prepayment Credit	211,411	211,411	0
	Present Value Of Funding	211,411	211,411	0
	CAS Funding Target	254,005	254,005	0
	Percentage Funded		83.23%	0.00%
	Funded Pension Cost		211,408	0
	Allowable Interest		0	0
	Allocable Pension Cost		211,408	0
	Fiscal Year Pension Cost		299,597	738
	Medicare LOB Percentage		8.87%	93.80%
	Allowable Pension Cost	<u>\$27,266</u>	<u>\$26,574</u>	<u>\$692</u>

1989	Contributions	\$0	\$0	\$0
9.00%	Discount For Interest	0	0	0
	Present Value Contributions	0	0	0
	Prepayment Credit	0	0	0
	Present Value Of Funding	0	0	0
	CAS Funding Target	209,454	209,454	0
	Percentage Funded		0.00%	0.00%
	Funded Pension Cost		0	0
	Allowable Interest		0	0
	Allocable Pension Cost		0	0
	Fiscal Year Pension Cost		52,852	0
	Medicare LOB Percentage		9.60%	95.13%
	Allowable Pension Cost	<u>\$5,074</u>	<u>\$5,074</u>	<u>\$0</u>

BLUE CROSS BLUE SHIELD OF UTAH
STATEMENT OF ALLOWABLE PENSION COSTS
FOR FISCAL YEARS 1987 THROUGH 1997

Date	Description	Total Company	Other Segment	Medicare Segment
1990	Contributions	\$0	\$0	\$0
9.00%	Discount For Interest	0	0	0
	Present Value Contributions	0	0	0
	Prepayment Credit	0	0	0
	Present Value Of Funding	0	0	0
	CAS Funding Target	51,575	51,575	0
	Percentage Funded		0.00%	0.00%
	Funded Pension Cost		0	0
	Allowable Interest		0	0
	Allocable Pension Cost		0	0
	Fiscal Year Pension Cost		0	0
	Medicare LOB Percentage		9.04%	97.34%
	Allowable Pension Cost	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

1991	Contributions	\$464,402	\$414,578	\$49,824
9.00%	Discount For Interest	(29,353)	(26,204)	(3,149)
	Present Value Contributions	435,049	388,374	46,675
	Prepayment Credit	0	0	0
	Present Value Of Funding	435,049	388,374	46,675
	CAS Funding Target	394,894	348,219	46,675
	Percentage Funded		100.00%	100.00%
	Funded Pension Cost		348,219	46,675
	Allowable Interest		22,199	2,976
	Allocable Pension Cost		370,418	49,651
	Fiscal Year Pension Cost		277,814	37,238
	Medicare LOB Percentage		9.49%	97.55%
	Allowable Pension Cost	<u>\$62,691</u>	<u>\$26,365</u>	<u>\$36,326</u>

BLUE CROSS BLUE SHIELD OF UTAH
STATEMENT OF ALLOWABLE PENSION COSTS
FOR FISCAL YEARS 1987 THROUGH 1997

Date	Description	Total Company	Other Segment	Medicare Segment
1992	Contributions	\$845,591	\$727,607	\$117,984
8.00%	Discount For Interest	(50,316)	(43,296)	(7,020)
	Present Value Contributions	795,275	684,311	110,964
	Prepayment Credit	43,769	37,187	6,582
	Present Value Of Funding	839,044	721,498	117,546
	CAS Funding Target	781,708	664,162	117,546
	Percentage Funded		100.00%	100.00%
	Funded Pension Cost		664,162	117,546
	Allowable Interest		35,529	6,288
	Allocable Pension Cost		699,691	123,834
	Fiscal Year Pension Cost		617,373	105,288
	Medicare LOB Percentage		9.93%	97.76%
	Allowable Pension Cost	<u>\$164,235</u>	<u>\$61,305</u>	<u>\$102,930</u>

1993	Contributions	\$751,208	\$649,958	\$101,250
8.00%	Discount For Interest	(36,019)	(31,164)	(4,855)
	Present Value Contributions	715,189	618,794	96,395
	Prepayment Credit	61,923	53,577	8,346
	Present Value Of Funding	777,112	672,371	104,741
	CAS Funding Target	910,937	788,159	122,778
	Percentage Funded		85.31%	85.31%
	Funded Pension Cost		672,378	104,742
	Allowable Interest		31,164	4,855
	Allocable Pension Cost		703,542	109,597
	Fiscal Year Pension Cost		702,579	113,156
	Medicare LOB Percentage		9.88%	97.30%
	Allowable Pension Cost	<u>\$179,516</u>	<u>\$69,415</u>	<u>\$110,101</u>

BLUE CROSS BLUE SHIELD OF UTAH
STATEMENT OF ALLOWABLE PENSION COSTS
FOR FISCAL YEARS 1987 THROUGH 1997

Date	Description	Total Company	Other Segment	Medicare Segment
1994	Contributions	\$1,045,364	\$893,488	\$151,876
8.00%	Discount For Interest	(53,616)	(45,826)	(7,790)
	Present Value Contributions	991,748	847,662	144,086
	Prepayment Credit	0	0	0
	Present Value Of Funding	991,748	847,662	144,086
	CAS Funding Target	959,538	815,452	144,086
	Percentage Funded		100.00%	100.00%
	Funded Pension Cost		815,452	144,086
	Allowable Interest		44,085	7,790
	Allocable Pension Cost		859,537	151,876
	Fiscal Year Pension Cost		820,538	141,306
	Medicare LOB Percentage		9.25%	95.75%
	Allowable Pension Cost	<u>\$211,200</u>	<u>\$75,900</u>	<u>\$135,300</u>

1995	Contributions	\$1,025,068	\$876,133	\$148,935
8.00%	Discount For Interest	(49,408)	(42,229)	(7,179)
	Present Value Contributions	975,660	833,904	141,756
	Prepayment Credit	34,787	29,733	5,054
	Present Value Of Funding	1,010,447	863,637	146,810
	CAS Funding Target	1,014,761	867,324	147,437
	Percentage Funded		99.57%	99.57%
	Funded Pension Cost		863,595	146,803
	Allowable Interest		42,227	7,179
	Allocable Pension Cost		905,822	153,982
	Fiscal Year Pension Cost		894,251	153,456
	Medicare LOB Percentage		9.23%	95.98%
	Allowable Pension Cost	<u>\$229,826</u>	<u>\$82,539</u>	<u>\$147,287</u>

BLUE CROSS BLUE SHIELD OF UTAH
STATEMENT OF ALLOWABLE PENSION COSTS
FOR FISCAL YEARS 1987 THROUGH 1997

Date	Description	Total Company	Other Segment	Medicare Segment
1996	Contributions	\$1,346,951	\$1,180,504	\$166,447
8.00%	Discount For Interest	(70,241)	(61,561)	(8,680)
	Present Value Contributions	1,276,710	1,118,943	157,767
	Prepayment Credit	0	0	0
	Present Value Of Funding	1,276,710	1,118,943	157,767
	CAS Funding Target	1,275,803	1,118,036	157,767
	Percentage Funded		100.00%	100.00%
	Funded Pension Cost		1,118,036	157,767
	Allowable Interest		61,511	8,680
	Allocable Pension Cost		1,179,547	166,447
	Fiscal Year Pension Cost		1,111,116	163,331
	Medicare LOB Percentage		8.12%	96.95%
	Allowable Pension Cost	<u>\$248,572</u>	<u>\$90,223</u>	<u>\$158,349</u>

1997	Contributions	\$1,911,262	\$1,737,527	\$173,735
8.00%	Discount For Interest	(103,477)	(94,071)	(9,406)
	Present Value Contributions	1,807,785	1,643,456	164,329
	Prepayment Credit	980	864	116
	Present Value Of Funding	1,808,765	1,644,320	164,445
	CAS Funding Target	1,393,828	1,229,383	164,445
	Percentage Funded		100.00%	100.00%
	Funded Pension Cost		1,229,383	164,445
	Allowable Interest		69,616	9,312
	Allocable Pension Cost		1,298,999	173,757
	Fiscal Year Pension Cost		1,269,136	171,930
	Medicare LOB Percentage		7.83%	99.83%
	Allowable Pension Cost	<u>\$271,011</u>	<u>\$99,373</u>	<u>\$171,638</u>

* Line of business.

**BLUE CROSS BLUE SHIELD OF UTAH
STATEMENT OF ALLOWABLE PENSION COSTS
FOR FISCAL YEARS 1987 THROUGH 1997**

FOOTNOTES

- 1/ We obtained total company contribution amounts and dates of deposit from Internal Revenue Service Form 5500 reports. The contributions included deposits made during the plan year and accrued contributions deposited after the end of the plan year but within the time allowed for filing tax returns.
- 2/ We subtracted the interest that is included in the contributions deposited after January 1 of each year to discount the contributions back to their beginning of the year value. For purposes of this appendix, we computed the interest as the difference between the present value of contributions at the valuation interest rate and actual contribution amounts.
- 3/ The present value of contributions is the value of the contributions discounted from the date of deposit back to January 1. For purposes of this appendix, we deemed deposits made after the end of the plan year to have been made on the final day of the plan year.
- 4/ A prepayment credit represents the accumulated value of premature funding from the previous year(s). A prepayment credit is created when contributions, plus interest, exceed the end-of year Cost Accounting Standards (CAS) funding target. A prepayment credit may be carried forward, with interest, to fund future CAS pension costs.
- 5/ The present value of funding represents the present value of contributions plus prepayment credits. This is the amount of funding that is available to cover the CAS funding target measured at January 1 of each year.
- 6/ The CAS funding target must be funded by current or prepaid contributions to satisfy the funding requirement of the Federal Acquisition Regulations (FAR) 31.205-6(j)(3)(I).
- 7/ The percentage of costs funded is a measure of the portion of the CAS funding target that was funded during the plan year. Since any funding in excess of the CAS funding target is considered premature funding in accordance with CAS 412.50(a)(7), the funded ratio may not exceed 100 percent. We computed the percentage funded as the present value of funding divided by the CAS funding target. For purposes of illustration, the percentage of funding has been rounded to four decimals.
- 8/ We computed the funded CAS pension cost as the CAS funding target multiplied by the percent funded.

**BLUE CROSS BLUE SHIELD OF UTAH
STATEMENT OF ALLOWABLE PENSION COSTS
FOR FISCAL YEARS 1987 THROUGH 1997**

- 9/ We assumed interest on the funded CAS pension cost, less the prepayment credit, is to accrue in the same proportion as the interest on contributions bears to the present value of contributions. However, we limited the interest by FAR 31.205-6(j)(3)(iii), which does not permit the allowable interest to exceed the interest that would accrue if the CAS funding target, less the prepayment credit, was funded in four equal installments deposited within 30 days of the end of the quarter.
- 10/ The allocable CAS pension cost is the amount of pension cost that may be allocated for contract cost purposes.
- 11/ We converted the plan year allocable pension costs to a Federal fiscal year (FY) basis (October 1 through September 30). We calculated the fiscal year pension costs as 1/4 of the prior year's costs plus 3/4 of the current year's costs. Costs charged to the Medicare contract should consist of the Medicare segment's direct pension costs plus pension costs attributable to indirect Medicare operations.
- 12/ We calculated allowable pension costs of the Medicare and other segment based on the Medicare line of business percentage of each segment. We obtained the percentages from documents provided by Utah.
- 13/ We computed the allowable Medicare pension cost as the allocable pension cost multiplied by the Medicare line of business percentage.

MAILING ADDRESS
Regence BlueCross BlueShield of Utah
P. O. Box 30270
Salt Lake City, Utah 84130-0270



**Regence
BlueCross BlueShield
of Utah**

An Independent Licensee of the Blue Cross and Blue Shield Association

2890 East Cottonwood Parkway
Salt Lake City, Utah 84121-7035
Tel (801) 333-2000
Customer Service (801) 333-2100
www.regence.com

March 31, 2006

Patrick, J. Cogley
Regional Inspector General for Audit Services
Dept. of Health & Human Services Region VII
601 East 12th Street
Kansas City, Missouri 64106

Re: Report Number: A-07-05-00190
Report Number: A-07-06-00198
Report Number: A-07-06-00199

Dear Mr. Cogley

We have reviewed the referenced draft audit reports and include the following written comments for your consideration;

Report Number: A-07-05-00190

"Review of Medicare Contractor's Pension Segmentation Requirements, Blue Cross Blue Shield of Utah for the Period Covering January 1, 1986 to January 1, 1998"

Recommendation: We recommend that Utah identify pension assets of \$2,040,174 for the Medicare segment as of January 1, 1998.

Response: We agree with the recommendation. Regence BlueCross and BlueShield of Utah terminated its Medicare contract effective November 30, 2005.

Report Number: A-07-06-00198

"Audit of BlueCross BlueShield of Utah's Unfunded Pension Cost for 1986 through 1997"

Recommendation: We recommend that Utah identify accumulated unallowable pension costs of \$202,066 (\$174,774 for the other segment plus \$27,292 for the Medicare segment) as of January 1, 1998).

Response: We agree with the recommendation. Regence BlueCross and BlueShield of Utah terminated its Medicare contract effective November 30, 2005.

Report Number: A-07-06-00199

"Review of Pension Costs Claimed for Medicare Reimbursement by Blue Cross Blue Shield of Utah for Fiscal Years 1987 Through 1997."

Recommendation: We recommend that Utah revise its Final Administrative Cost Proposals (FACP) to claim allowable CAS pension cost of \$756,509 for FYs 1987 through 1997.

Response: We agree with the finding. Regence BlueCross and BlueShield of Utah (RBCBSU) terminated its Medicare contract effective November 30, 2005 and will include allowable pension costs of \$756,509 as a part of our global settlement with CMS.

If you have questions or comments concerning our response, please feel free to call me at (801) 333-5294.

Sincerely,

R Paul Warburton
Director of Finance